

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes February 6, 2003

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: March 6, 2003

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the February 6, 2003, meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, FEBRUARY 6, 2003
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Gary Lynes, Chairperson
Paul Krasnow
Karen Russell
Jay Schenirer
Robert Miyashiro, representing the Director of Finance, Steve Peace
Mark Battey, representing the State Controller, Steve Westly
John Hiber, representing the State Treasurer, Philip Angelides
Duwayne Brooks, representing the Superintendent of Public Instruction, Jack O'Connell

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Peggy Plett, DCEO, Administration and Client Benefits and Services
Ed Derman, DCEO, External Affairs and Program Development
Bill Hobbs, DCEO, Enterprise Initiatives and Technology
Cynthia Steiger, Acting Chief, Services Division
Mary Miles, Administrative Assistant

OTHERS PRESENT

Loretta Toggenburger, UTLA- R	Reona James, FACCC
Beverly Carlson, CTA	Lois Shive, CTA
Michael R. Green, CTA	Pat Geyer, CRTA
Dorothy Moser, CTA-NEA-R	Susan Goff, CRTA

A quorum being present, Chairperson Lynes called the meeting to order at 8:35 a.m.

II. **APPROVAL OF MINUTES OF DECEMBER 5, 2002 AND JANUARY 23, 2003**

MOTION duly made by Ms. Russell, seconded by Mr. Schenirer, and carried to approve the minutes of December 5, 2002 and January 23, 2003.

III. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported the Committee received the Stochastic Asset Allocation Study, an overview of the Investment Branch, annual reports on Fixed Income, Home Loan Program and the Cash Equitization of the Internal Equities Program, and the semi-annual report on

California Investments. A Market Review on Alternative Investments was provided by McKinsey and Company, and the Committee received the monthly status reports from each of the asset categories and from the Chief Investment Officer.

BY CONSENSUS, the Report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Lynes, Acting Chairperson for the Committee, reported the Committee adopted staff recommendation of the performance incentive criteria for the Chief Investment Officer.

BY CONSENSUS, the Report of the Executive Compensation Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Russell, Chairperson of the Benefits and Services Committee, reported the Committee heard a report of the Level of Service Standards and adopted the draft agenda for the March meeting.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

IV. **CHIEF EXECUTIVE OFFICER REPORT**

A copy of the Comprehensive Annual Financial Report was distributed to the Board. A Current Board Assignment matrix was distributed and Chairperson Lynes noted the need for additional members on several committees.

Mr. Ehnes reported the current overall staff vacancy rate was 18 percent and staff would be approaching the Department of Finance for additional freeze exemption requests.

Mr. Ehnes reported the Council on Institutional Investors (CII) would be changing its governance structure to nine members from public pension plans, four members from labor unions, and two members from corporations. Also, the System will be participating in a new task force to address the issue of how to get the Council on Institutional Investors' messages inside corporation board rooms. Mr. Ehnes reported he is participating in the China Dialogue Group comprised of labor advocacy groups and corporations who have an interest in China and to address better labor conditions in China.

Mr. Ehnes provided a summary of the NASRA Conference he attended and a meeting with the California Teachers Association's Retirement Committee in which he offered to make an information booth available for their quarterly meetings.

Mr. Ehnes provided an overview of the Strategic Plan, highlighting the Mission Statement, Core Values and Goals. Ms. Carlson asked about the possibility of using this member financial information as a component of teacher in-service days.

Mr. Krasnow left at 10 a.m.

As part of the Strategic Plan, Ms. Steiger briefed the Board on the Customer Services Initiative related to the Call Center and the Correspondence Unit, and provided an update on completed, in progress, and next step activities. Chairperson Lynes asked if there was

a process in place for handling e-mails through an e-mail response, and Ms. Steiger replied staff was addressing issues on privacy and confidentiality and working toward initiating a policy for e-mail responses.

Mr. Ehnes requested approval of a revision to the Board meeting calendar.

MOTION duly made by Ms. Russell, seconded by Mr. Battey, and carried to approve the revised Board Meeting Calendar, (change to April 9 and 10).

Ms. Russell asked that discussion at the offsite include technology for Board members.

V. **UPDATE ON LEGISLATION**

STATE: Mr. Derman reported he had met with the constituency groups regarding the Governor's Budget Proposal, as well as with the Department of Finance and will keep the Board updated on any progress.

FEDERAL: Mr. Derman reported the President's proposal on retirement funds and savings included a proposal that would affect IRA's, 401(k), 403(b) and 457 plans.

Mr. Derman also reported the sixth installment of Elk Hills funds is in the budget, but only at the level of previous installments (\$36 million) instead of half of what is left to be paid. CalSTRS will be in contact with Representative Thomas for guidance on how to proceed.

VI. **TRAVEL**

MOTION duly made by Mr. Schenirer, seconded by Mr. Brooks, and carried to approve the proposed Board travel.

Mr. Ehnes added a request for Mr. Waddell to attend the CII meeting in March.

MOTION duly made by Mr. Schenirer, seconded by Ms. Russell, and carried to approve the proposed staff travel as amended.

BY CONSENSUS, the Board accepted the travel reports.

VII. **DRAFT AGENDA FOR THE MARCH REGULAR MEETING**

Mr. Derman stated he would be adding an item on eliminating the fee for Financial Education Program workshops.

VIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Ms. Carlson, CTA, expressed her delight with the new energy the new board members had brought to the meetings. She also complimented Mr. Ehnes for coming and speaking to her State Council meeting, and relayed the Council's four major areas they want to protect which will help contribute to keeping teachers in the classroom and making contributions to the System. The four areas were to oppose the base revenue limit, to protect class size reduction, to protect special education and schools of greatest need, and to make any budget cuts that need to be made as far away from the classroom as possible that would keep teachers in the classroom, contributions coming into the system, and protect the students. Ms. Carlson also stated her concern about the push for mid-year retirements

without preparation and planning information given to the unit members. Superintendents are bringing this to the bargaining table and there is a need to get information out on the consequences of retiring mid-year. Ms. Carlson was pleased to inform the Board about the Read Across America which starts on March 3, 2003 and encouraged everyone to participate.

IX. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 11:40 a.m.

X. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 12:17 p.m.

Jack Ehnes, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

Gary Lynes, Chairperson